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Held at Headquarters, New York, on Friday, 15 March 2013, at 10 a.m.

Chair: Mr. Berger ..... (Germany)
Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu

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The meeting was called to order at 10.10 a.m.

Statement by the Chair

1. **The Chair** said that the public perception of the work of the Fifth Committee did not reflect the level of professionalism and dedication demonstrated by its members. As the Main Committee of the General Assembly dealing with all budgetary and administrative matters, the Fifth Committee bore considerable responsibility and its members worked extremely hard during long hours of negotiation in order to achieve the consensus outcomes required for the good functioning of the Organization.

Agenda item 130: Programme budget for the biennium 2012-2013 (*continued*)

Revised estimates for remediation work in the aftermath of storm Sandy (A/67/748 and A/67/789)

2. **Mr. Takasu** (Under-Secretary-General for Management), introducing the Secretary-General's report on revised estimates relating to section 34 of the programme budget for the biennium 2012-2013 for remediation work in the aftermath of storm Sandy (A/67/748), said that the Organization's core infrastructure had remained intact but the storm had caused significant flooding damage to plant and equipment on the basement levels of the Headquarters premises. Fortunately, the Organization had robust coverage under two complementary insurance policies: its builders' risk insurance and its global property insurance, which provided coverage of $100 million and $50 million, respectively. An estimated $154.9 million would be needed for the proposed remediation work and mitigation measures, including $6 million for mitigation measures not covered by insurance and a further $11 million for essential content and equipment which exceeded the insurance coverage and might be requested at a later date. An estimated $137.9 million would be recovered under the two insurance policies. However, the protracted claims process meant that, while expenditure for remediation work would be incurred predominantly in 2013, most recoveries under the insurance policies would be received in the biennium 2014-2015. Proposals had therefore been submitted to seek commitment authority and meet cash flow challenges pending completion of recoveries from the insurers.

3. On mitigation, the after-action review led by the Chef de Cabinet had recommended reducing the vulnerability of Headquarters to future flooding events, including by relocating and waterproofing electrical rooms and relocating automatic fire pumps. Although the recommended enhancement measures were not covered under the insurance policies, it would be prudent to carry out that work immediately, not least because the level of available insurance coverage for flood damage in the New York area had fallen significantly as a result of the storm and the global property insurance policy had been renewed in 2013 with reduced coverage of only $20 million after the deductible, compared with the previous coverage of $50 million. As a result, the United Nations would bear the risk of significant financial exposure if it did not take protective measures promptly.

4. The General Assembly was therefore requested to approve the estimated amount of $6 million under section 34, Construction, alteration, improvement and major maintenance, of the programme budget for the biennium 2012-2013 and to authorize the Secretary-General to enter into commitments of up to $131.4 million, taking into account a $50-million advance already received from the insurance companies. It was also requested to authorize the Secretary-General to use the Working Capital Fund to cover the payments on a cash flow basis; to note that a further $11.1 million might be required in addition to the resources currently requested; and to approve the establishment of a multi-year special account for insurance recovery and expenditures relating to damage from storm Sandy.

5. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/67/789), said that the Advisory Committee agreed with the Secretary-General's proposed approach to funding the remediation work and recommended that he should be authorized to enter into commitments of up to $146.4 million in the current biennium and to use the Working Capital Fund as a cash flow bridging mechanism pending receipt of insurance settlements. It also had no objection to the establishment of a multi-year special account but recommended that its term should be limited to 31 December 2015. It would be prudent to implement the mitigation measures described in the Secretary-General's report and the Advisory Committee therefore recommended that the

Assembly should approve the $6.1 million requested under section 34 of the programme budget for the biennium 2012-2013, but encouraged the Secretary-General to make every effort to absorb the additional requirements through further efficiencies and savings.

6. On future insurance coverage, while the Organization would face constraints in securing insurance against flood damage, the Advisory Committee recommended that the Assembly should request the Secretary-General to monitor the insurance market with a view to purchasing additional coverage if it should become available at a reasonable cost. More generally, it stressed the importance of adequately insuring all United Nations premises against all types of risk.

7. **Ms. Malcorra** (Chef de Cabinet, Executive Office of the Secretary-General) said that an after-action review on storm Sandy had been completed in December 2012. The purpose of the review, which she had led, had been to assess how the Organization had responded to the crisis and make recommendations on how to manage future crises more effectively. It had focused on five areas: crisis management; information and communications technology; physical infrastructure; communication; and support for staff. On governance and crisis management, the review had indicated that preparation for the storm had been good, proper procedure had been followed, links had been established with the New York emergency services and the United States Federal Emergency Management Agency, and the Crisis Operation Group had been activated and regular updates provided. The Security Council had begun functioning within 48 hours after the storm and other bodies had begun meeting a day later. Nonetheless, senior leadership and members of the Senior Emergency Policy Team needed to be more aware of their roles in the event of a crisis. While the lack of awareness had been partly due to the fact that a number of senior managers were new to their roles, ongoing training was needed, including regular drills. There should also be more periodic testing and regular updating of the integrated emergency management framework. Furthermore, the Secretariat needed to take better account of the capacity of other United Nations agencies available in New York in the event of a crisis. Consequently, the Senior Emergency Policy Team assessment should include a review of contingency planning for major events.

8. The storm had highlighted the Organization's dependence on technology, as the failure of some systems to communicate with their backups had hampered the implementation of emergency procedures. While no data had been lost, some systems had gone offline, highlighting the need for automatic backup. Department heads must identify critical systems that required immediate backup and ensure that they were expressly mentioned in service level agreements. Plans were needed to ensure that users received regular information on system availability. The Office of Information and Communications Technology had set up an internal task force to discuss business continuity and disaster recovery plans for the Organization's data centres, with a view to eliminating some of the problems encountered during the storm in the event of another crisis.

9. Communication and coordination had been inadequate during the storm and it was clear that a single platform was required for seamless communication with United Nations staff and Member States. To that end, a task force had been established to set up new communication mechanisms and protocols, and work was under way to create a single communications site for emergencies, which would be backed up in Geneva in order to provide other ways to access the United Nations website if the system failed in New York. In terms of support for staff, the Organization had learned that its capacity to contact staff quickly and efficiently had been insufficient. A review of emergency communications with staff was under way, and other United Nations offices were undertaking similar efforts to ensure that they were able to use Headquarters systems as a backup. Lastly, in terms of the storm's impact on physical infrastructure, an assessment should be carried out to determine what upgrades were necessary, especially mitigation measures for areas prone to fire and flooding.

10. **Mr. Thomson** (Fiji), speaking on behalf of the Group of 77 and China, said that, while the initial assessment presented to the Assembly in November 2012 had suggested that the damage caused by storm Sandy had been contained by precautionary measures, the new report presented a different picture; the Group was particularly concerned by the damage to plant and equipment. The after-action review and lessons learned exercise were good steps to prevent future damage

from natural disasters, and the resulting recommendations merited thorough consideration.

11. Noting that the Group would like to have further information on the adequacy of insurance coverage for all United Nations premises, he said that mitigation measures should be taken at Headquarters to address vulnerability to flooding in order to avoid the risk of uninsured financial exposure, and solutions should be explored to have the Organization insured against future eventualities.

12. The Group would examine the proposal on alternative cash flow bridging mechanisms as an interim arrangement to continue remediation work pending the receipt of insurance payments. Notwithstanding the outcome of the Committee's deliberations, the Secretary-General should monitor the Organization's cash position to ensure that the smooth functioning of operations was not put at risk. With respect to the proposal to establish a special account for insurance recovery and remediation expenditures, it was the Group's view that emergency and mitigation measures should be addressed appropriately in a sustainable manner. He welcomed the delineation of responsibilities for actions that would address the shortcomings in safety, security and communication; the accurate assessment of damage; and the implementation of prevention, mitigation and recovery measures.

13. Communication with Member States in the aftermath of the storm had been dismal. Despite the Organization's investments in information and communications technology, the system had not functioned effectively and internal coordination in the Secretariat had been coupled with technical failures of the backup mechanism. The Secretary-General should take corrective action to prevent a recurrence in future emergencies. Action should also be taken, in conjunction with the organizational resilience management system currently under discussion, to ensure effective communication with the staff and permanent missions in emergency situations.

14. **Mr. Presutti** (Observer for the European Union), speaking also on behalf of the acceding country Croatia; the candidate countries Montenegro, Serbia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, Georgia and the Republic of Moldova, said that the European Union was grateful for the efforts deployed by United Nations staff to safeguard the integrity of the Headquarters complex during storm Sandy. He concurred with the Advisory Committee that efforts should be made to absorb the estimated requirements of $11 million for repairs not covered by insurance and $6 million for mitigation measures by seeking further efficiencies and savings. The European Union would closely scrutinize both of those estimates. With respect to the cash flow requirements for the repair work, the Secretariat should negotiate with the insurers to ensure the best possible payout and higher interim settlements. He looked forward to receiving more information on the efforts to secure additional insurance coverage beyond the current ceiling and endorsed the Advisory Committee's recommendation that the Secretary-General should monitor the insurance market with a view to ensuring that the Organization was adequately insured against all risks at a reasonable cost.

15. **Mr. León González** (Cuba) said that the Organization had not been prepared to deal with a natural disaster on the scale of storm Sandy and that preventive measures were essential, especially given that similar emergencies were likely to reoccur as a result of climate change.

16. Concerning the Committee's working methods and conduct, the comments made by the Chair about the level of professionalism and dedication demonstrated by all members reflected the feelings of many delegations.

17. **Mr. Benmehidi** (Algeria) said that the Committee must avoid micromanaging United Nations insurance coverage. The focus should be on anticipating insurance needs and strengthening the Organization in ways that would enable it to sustain operations and rebuild facilities in the event of disaster.

18. **Ms. Malcorra** (Chef de Cabinet, Executive Office of the Secretary-General) said that the storm had brought home the significance of climate change and the importance of preparedness and mitigation measures, especially given that insurance coverage for related risks was likely to be lower in the future. Investments must be made to implement those measures.

Expanded feasibility study on the United Nations Headquarters accommodation needs 2014-2034 (A/67/720 and A/67/788)

19. **Mr. Takasu** (Under-Secretary-General for Management), accompanying his statement with a digital slide presentation, introduced the Secretary-General's report on the expanded feasibility study on the United Nations Headquarters accommodation needs 2014-2034 (A/67/720). He said that, whereas the original feasibility study (A/66/349) had included two scenarios for future staff population projecting no growth and 1.1 per cent average annual growth, respectively, the expanded study included a third scenario that projected a decline of 0.5 per cent, taking into account anticipated changes in work practices and the potential movement of some operations. The baseline for space allocation had been reduced from 250 to 200 gross square feet per workspace, taking into account the baseline of 220 gross square feet used for the capital master plan and alternative workspace strategies such as desk-sharing, hot-desking and hotelling.

20. The needs of the funds and programmes had been included in the expanded study and the steering committee on long-term accommodation needs, which he chaired, included representatives from the United Nations Development Programme and the United Nations Population Fund. The study covered a total of 10,841 staff, 2,320 of whom were from funds and programmes. Of that total, 5,938 — including the entire staff of the funds and programmes — occupied leased space. With the projected numbers of staff under the three scenarios, there would be a need to accommodate 4,887 (0.5 per cent decrease), 5,938 (no growth) or 8,678 (1.1 per cent growth) staff members outside of United Nations-owned property, with a projected additional space requirement in 2034 of between 1.28 million and 2.0 million gross square feet.

21. Four options had been considered to meet the space requirements. Options 1 and 2 proposed the construction of a high-rise building on the North Lawn, combined with leasing of space outside the United Nations compound. Option 1, with a construction cost of $1.046 billion, would be funded by a special assessment; under option 2, the construction cost of $1.278 billion would be financed by a third party. Option 3 proposed the construction of the United Nations Consolidation Building (DC-5) by the United Nations Development Corporation at a cost of approximately $1.362 billion. In fact, in 2002 the Assembly had authorized the Secretary-General to complete negotiations with the Development Corporation on that project, but the New York State Legislature had not approved it. The Development Corporation proposed to finance construction by issuing public bonds to be redeemed through United Nations rent payments over 30 to 35 years. The building would be connected to the current campus by a pedestrian tunnel.

22. In option 4, off-campus accommodation needs would be met through commercial leasing. All four options factored in the continued leasing of the DC-1 and DC-2 buildings for purposes of comparison. The current leases would expire in 2018 and the Organization had the option to extend them to 2023. After that date, under New York State law, the Development Corporation had the option to sell or refinance the property. The availability of those buildings was thus uncertain and the rent would rise to commercial rates. Subject to a satisfactory agreement on DC-5, the Development Corporation proposed to extend the leases beyond 2023. Considering the need for flexibility in rental space, it proposed the option of a "give back" scheme that would allow the United Nations to reduce its total rental space. Future terms of the lease were subject to negotiation with the Development Corporation.

23. The comparative analysis of the four options showed that options 1, 2 and 3 would enhance efficiency and security and achieve a campus effect; option 4 would not, as it would leave staff scattered in dozens of places. Option 2, which involved third-party financing of construction on the North Lawn, was unlikely to be feasible owing to legal and commercial constraints on secured mortgage loans under the General Convention on the Privileges and Immunities of the United Nations and the host country agreement. Alternatively, with the Assembly's approval, the Organization could seek unsecured loan guarantees from Member States or issue bonds to them. He recalled, however, that the Assembly had decided against the issuance of United Nations bonds to finance the capital master plan. Option 4 would be financially unfavourable to the United Nations in the long term, as it would expose the Organization to a volatile rental market after 2023.

24. Option 1 would be more financially advantageous than option 3, since construction of a building on

United Nations land would entail no land cost, whereas option 3 — the DC-5 proposal — would include the financing cost for public bonds and the cost for land, albeit on favourable terms. Option 1 would require an upfront capital outlay of some $1 billion to be funded through a special assessment on Member States, and would thus contradict the Assembly's guidance that major capital expenditure projects should not be implemented simultaneously. Moreover, design of the building on the North Lawn was only at a preliminary conceptual stage and that option would entail the risks of cost escalation and possible non-approval by the host country authorities. Indeed, the Secretariat had received communications from the neighbours expressing opposition to the construction of a new building on the North Lawn. The design of DC-5 was far more advanced and the building, which would require no upfront capital investment by the United Nations, would be ready for occupancy in mid-2017. Under the proposed lease-to-own arrangement, the Organization would begin paying rent in 2017 and would own the building after 30 to 35 years.

25. The Secretary-General had concluded that option 3 would best meet the long-term accommodation needs at Headquarters. Urgent action was required, because the New York State legislation pertaining to the DC-5 building would expire in 2015. Consequently, all necessary steps for construction of the building, including negotiation and signing of the lease and the issuance of bonds, would have to be completed in 2013 and 2014, and host city legal procedures and transfer of title to the land would have to be completed by December 2015. It would be necessary to act expeditiously in order to take advantage of the opportunity.

26. A two-stage approach to the matter was proposed. First, the Assembly was requested to authorize the Secretary-General to enter into negotiations with the United Nations Development Corporation on the terms of the lease for DC-5 and the continued leasing of DC-1 and DC-2, without making a commitment to the DC-5 project. By October 2013, the Secretariat would reach the best possible proposed lease terms, without exact rental conditions or a formal commitment. Once final costing data for the issuance of public bonds became available in early 2014, the Secretary-General would submit a report with the outcome of the negotiations. The Assembly would then be invited, at the first part of its resumed sixty-eighth session, to decide whether to formally commit the United Nations. If it decided in the affirmative, the leases would be signed and the Development Corporation would issue public bonds. Construction of the building would be completed in mid-2017.

27. The report also presented three options concerning the South Annex Building and the Dag Hammarskjöld Library Building. The cost of the first option, renovation of the buildings, had been estimated at $65 million in the capital master plan budget. However, owing to a change in the security situation which had resulted in a need for blast resistance, renovation at a reasonable cost was no longer feasible. The second option, construction of replacement blast-resistant buildings, would cost several hundred million dollars, necessitating a significant additional assessment on Member States. The Secretary-General did not deem it prudent to invest such large sums for a library and cafeteria when other options were available. The third option, transferring the functions housed in those buildings to other locations, was included in the cost estimates of options 1 and 3 for the long-term accommodation strategy. It was also proposed that the temporary North Lawn Building, which had been built at a cost of over $140 million for use until the completion of the capital master plan in 2014, should be retained for use as swing space for a few more years until the long-term accommodation plans became clearer.

28. In planning the sequencing of construction projects, namely, the capital master plan, the long-term accommodation needs at Headquarters and the strategic heritage plan of the United Nations Office at Geneva, the Secretariat was guided by General Assembly resolution 66/247, which stated that no major construction project should begin until the capital master plan had been completed and that major capital expenditure projects should not be implemented simultaneously. Accordingly, following a decision by the Assembly at the current session, it was the Secretariat's intention to negotiate with the United Nations Development Corporation regarding the leasing option while also exploring the other three options and to submit a comprehensive report to the Assembly in early 2014.

29. The Assembly was invited to take the actions set out in paragraph 95 of the Secretary-General's report (A/67/720).

30. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/67/788), said that it was the Advisory Committee's view that, of the four options presented by the Secretary-General, option 3 — the DC-5 building — was preferable. However, the information provided in the Secretary-General's report was neither complete nor comprehensive and therefore the Advisory Committee was unable to conclude which option was the most viable at the present stage; consequently, all four options should be kept open for development and consideration. The Advisory Committee recommended that the Assembly should request the Secretary-General to explore options, including, but not limited to, those presented in the report on the expanded feasibility study, and to submit another report with comprehensive information.

31. The Advisory Committee did not object to the Assembly authorizing the Secretary-General to engage in negotiation with the United Nations Development Corporation in order to ensure that the proposed DC-5 building remained a viable option. However, it was of the view that the authority to negotiate, if granted, should refer to all options and should be without prejudice to any decision by the Assembly concerning the long-term office space needs at Headquarters.

32. The report discussed key factors affecting the estimation of office space needs, including population analysis; office space allowance and alternative workplace strategies; and appropriate levels of owned and leased space, which should be linked to the planning for the Organization's future. While there was merit in including the funds and programmes in the feasibility studies, the Advisory Committee was of the view that the baseline for calculating the core office space needs should include only Secretariat staff.

33. With respect to the Library and South Annex Buildings, the Advisory Committee considered that the Secretary-General had not proposed options on renovation, with financial implications, as requested by the Assembly in its resolution 67/246.

34. Recalling that the Assembly, in that resolution, had not approved the cost reduction related to the proposed deferred removal of the temporary North Lawn Building, he said that it was the Advisory Committee's view that the Secretary-General had not made a proposal that merited the Assembly's reconsideration of its decision not to delay the demolition of that building.

35. **Mr. Daunivalu** (Fiji), speaking on behalf of the Group of 77 and China, said that the Group reaffirmed its position that any proposal to accommodate space needs at Headquarters should be in conformity with the original design and should respect the historical architectural integrity of the United Nations complex. The expanded feasibility study did not provide a comprehensive analysis of the four options presented or a sound basis for the conclusion that option 3 was optimal. Moreover, the rationale for linking the extension of the DC-1 and DC-2 leases and the construction of the DC-5 building, as proposed by the United Nations Development Corporation, was questionable. It was astonishing that an entity established with the aim of assisting the United Nations with its office space and other real estate needs would adopt a position detrimental to the work of the Organization. He recalled the special role of the host Government and called on the Secretary-General to ensure that cooperation with the Development Corporation took the interests of the United Nations fully into account. More detailed information on the proposed options would be required for the Assembly to take an informed decision on how to proceed.

36. The renovation of the Library and South Annex Buildings was part of the capital master plan and should not be considered under the item concerning long-term accommodation needs. The information provided did not fully explain why the renovation had been suspended or make comprehensive proposals regarding the future of the buildings and the financial implications. He looked forward to receiving that information in the eleventh annual report on the capital master plan.

37. With respect to the temporary North Lawn Building, he recalled that the Assembly had given a clear mandate for its timely demolition and removal upon completion of the Headquarters renovation.

38. He also recalled that the Assembly, in its resolution 66/247, had instructed the Secretary-General to ensure that future major capital expenditure projects should not be implemented simultaneously in order to prevent the need to finance them at the same time.

39. **Mr. Van den Akker** (Observer for the European Union), speaking also on behalf of the acceding country Croatia; the candidate countries Iceland,

Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania and Bosnia and Herzegovina; and, in addition, Armenia, Georgia, the Republic of Moldova and Ukraine, said that the States members of the European Union would discuss in informal consultations the Secretary-General's request for authorization to enter into negotiations with the Development Corporation in order to ensure that the DC-5 building remained a viable option, as well as related issues, such as the implementation of flexible use of office space and flexible working arrangements; total space requirements; the inclusion of the funds and programmes in the feasibility studies; the need to respect the commemorative value of the Dag Hammarskjöld Library; and planning for major capital expenditure projects.

40. The Secretary-General's report (A/67/720) contained insufficient information to enable the Assembly to take a decision on future accommodation needs at the current part of the session; consequently, all possible options should be kept open until the Assembly received more details.

The meeting rose at 11.50 a.m.